

Message Text

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TAGS: ETRD, OECD

SUBJECT: TRADE IN SERVICES

REF: A) PARIS 16667 B) 6461

1. AS REQUESTED REF A, DEPT. HAS SENT DELEGATION TWO
COPIES (ONE FOR TRANSMITTAL TO OECD SECRETARIAT) OF "US
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SERVICE INDUSTRIES IN WORLD MARKETS". THIS IS A COM-
PREHENSIVE REPORT PUBLISHED IN LATE 1976 BY AN INTER-
AGENCY TASK FORCE LED BY COMMERCE.

2. THE IMPETUS FOR THE REPORT CAME FROM THE TRADE ACT
OF 1974, WHICH INCLUDED TRADE IN SERVICES IN THE NE-
GOTIATING MANDATE OF THE PRESIDENT. THE REPORT CONCLUDED,

HOWEVER, THAT THE US SHOULD AVOID THE WHOLESALE INTRODUCTION OF SERVICES IN THE MTN. AS INDICATED REF B, THE IMPACT OF THE MTN ON SERVICES WILL COME THROUGH THE CODES AND THROUGH THE BILATERAL REQUEST/OFFER PROCESS, WHERE US HAS MADE SPECIFIC REQUESTS TO CERTAIN SELECTED COUNTRIES. OUR NEGOTIATING PARTNERS HAVE RESISTED ANY EFFORTS TO FOLLOW-UP THE SERVICES ISSUE AS A SEPARATE MATTER IN THE MTN.

3. SINCE THE MTN IS UNLIKELY TO ADDRESS TRADE IN SERVICES AS A GENERAL TRADE ISSUE OR IN OTHER THAN A

LIMITED PIECEMEAL FASHION, WE BELIEVE WE SHOULD PURSUE INTERNATIONAL DISCUSSION OF THIS SUBJECT IN THE OECD. MISSION SHOULD BEGIN EXPLORING RECEPTIVITY TO THIS IDEA WITH OECD SECRETARIAT AND OTHER KEY DELEGATIONS, INCLUDING POSSIBILITY OF INITIATING AN OECD STUDY OF THE ISSUE AT THE NEXT MEETING OF THE TRADE COMMITTEE. YOU MAY DRAW ON FOLLOWING POINTS AS RATIONALE FOR THE OECD TO TAKE UP THE ISSUE:

-- SERVICE SECTOR PARTICIPATION IN INTERNATIONAL MARKETS IS LARGE AND GROWING. THIS IS A LOGICAL CONSEQUENCE OF THE INCREASINGLY SERVICES-ORIENTED NATURE OF OUR ECONOMIES. IT IS NO LONGER JUST THE US THAT IS A SERVICES ORIENTED ECONOMY: OECD DATA FROM 1972 INDICATE THAT THE PROPORTION OF MEMBER STATE GNP DERIVED FROM NON-GOVERNMENT UNCLASSIFIED

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SERVICES VARIES FROM 29 TO 51 PERCENT.

-- DESPITE THE IMPORTANCE OF SERVICES, WE LACK CURRENT DATA AND ANALYSIS ON THE SERVICES AREA AS A WHOLE AND ON CERTAIN SERVICE SECTORS. THIS IS DUE IN PART TO THE SCATTERED AND HETEROGENEOUS NATURE OF SERVICE INDUSTRY PROBLEMS, A SITUATION REFLECTED IN INTERNATIONAL APPROACHES TO SERVICES. SOME SERVICE SECTORS HAVE NO INTERNATIONAL FORUM IN WHICH TO ADDRESS THEIR PROBLEMS (ENGINEERING AND CONSTRUCTION). INTERNATIONAL MECHANISMS DO EXIST FOR OTHERS (INVESTMENT, BANKING, INVISIBLES, INSURANCE), BUT LITTLE ATTEMPT IS MADE TO RELATE THEIR WORK TO A BROADER CONTEXT.

-- THE US THEREFORE SUGGESTS THAT THE TRADE COMMITTEE, WORKING WITH OTHER APPROPRIATE OECD COMMITTEES, UNDERTAKE A COMPREHENSIVE STUDY OF INTERNATIONAL TRADE IN SERVICES. THIS IS AN APPROPRIATE SUBJECT FOR THE TRADE COMMITTEE BECAUSE THE TRADE PLEDGE APPLIES TO ALL CURRENT ACCOUNT TRANSACTIONS, NOT JUST MERCHANDISE TRADE.

-- THE STUDY SHOULD EXAMINE THE SCOPE AND IMPORTANCE OF

INTERNATIONAL TRADE IN SERVICES AND SEEK TO IDENTIFY
IMPEDIMENTS TO SUCH TRADE. THE STUDY SHOULD INTER-ALIA
AIM TO DOCUMENT AND CATLOGUE SERVICE INDUSTRY PROBLEMS.

-- AS A FIRST STEP THE SECRETARIAT SHOULD BE ASKED TO
PROPOSE A DEFINITION OF SERVICES IN INTERNATIONAL TRADE
(FYI: US LABOR CONCERNED THAT STUDY COULD BE TOO NEBULOUS
IN COVERAGE UNLESS DEFINITION OF SERVICE SECTOR IS COM-
PREHENSIVE AND CLEAR).

4. YOU SHOULD MAKE CLEAR THAT USG HAS NO PRECONCIEVED

IDEAS OF WHERE RESULTS OF AN OECD DISCUSSION OF THIS
ISSUE WILL LEAD BUT GIVEN THE GROWING IMPORTANCE OF
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SERVICES IN INTERNATIONAL TRADE, BELIEVES THE ISSUE
DESERVES THE KIND OF INFORMAL MULTILATERAL STUDY AND
EXCHANGE OF VIEWS WHICH THE OECD IS BEST ABLE TO PRO-
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